

**HOUSE COMMITTEE ON**  
**AGRICULTURE AND NATURAL RESOURCES**

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January 30, 2003 Hearing Room D  
1:00 PM Tapes 12 - 14

**MEMBERS PRESENT:**        **Rep. Jeff Kropf, Chair**  
                                 **Rep. George Gilman, Vice-Chair**  
                                 **Rep. Kelley Wirth, Vice-Chair**  
                                 **Rep. Elizabeth Terry Beyer**  
                                 **Rep. Dave Hunt**  
                                 **Rep. Donna Nelson**  
                                 **Rep. Patti Smith**

**STAFF PRESENT:**        **Ray Kelly, Committee Administrator**  
                                 **David Peffley, Committee Assistant**

**MEASURES HEARD:**        **HB 2197 – Public Hearing and Work Session**  
                                 **HB 2260 – Informational Meeting**

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These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 12, A</b>		
003	Chair Kropf	Calls the meeting to order at 1:09 and opens a public hearing on HB 2197.
<b><u>HB 2197 – PUBLIC HEARING</u></b>		
029	Ray Kelly	Summarizes HB 2197.
044	Kristina McNitt	Oregon Small Woodlands Association. Introduces agency and officers and submits <b>(EXHIBIT A)</b> in support of HB 2197.
095	Dave Schmidt	Introduces Working Group to Review State Tax Policies Affecting Small Tract Forestlands in Oregon and reports on their findings contained in <b>(EXHIBIT B)</b> – the Report of HB 2162.
211	Chair Kropf	Asks Mr. Schmidt if woodland owners have to make a choice amongst options and if there's a timeline.
217	Schmidt	Recommends that the ability to change options is contained in the bill.
228	Rep. Nelson	Asks if an owner can submit two plans if they have different plots.
234	Schmidt	Responds as to acreage requirements for different plot sizes.
245	Schmidt	Continues with testimony and chronicles public involvement in their work group.
298	Rep. Smith	Asks what happens to people owning less than ten acres.
301	Schmidt	Responds that they would be assessed on the larger scale, but that the two rates would yield a very small cost difference.
318	Rep. Smith	Asks Mr. Schmidt about further delineations amongst wood owners.
324	Schmidt	Responds to the changes in the plan.

327	McNitt	Adds that some of those questions will be addressed by the Department of Revenue.
335	Wirth	Asks about fire protection costs.
338	Schmidt	Responds to the fire patrol assessment.
341	Wirth	Asks whether that money is contained in the sinking fund.
346	McNitt	Addresses the sinking fund and talks about the review process.
366	Chair	Clarifies that HB 2197 is the 20-80 referred option. Asks why the 50% reduction option was not included.
382	Schmidt	Responds that the members of the committee could not come to a consensus, and that the 50% option still needs more study.
397	McNitt	Adds that pragmatic concerns dictated that they take reform one step at a time.

**TAPE 13, A**

010	Rep. Nelson	Asks how many people the work group is representing.
012	McNitt	Believes that 25,000 people will be affected by the law, and that the Small Woodland Owners represent approximately 2000 woodland owners.
021	Rep. Nelson	Asks about the dollar value for the volume of harvest.
027	McNitt	Opts to refer to the Revenue Department.
030	Rep. Hunt	Asks if all 25,000 people are in the 10-5000 acre range.
032	McNitt	Confirms Rep. Hunt's assumption.
033	Rep. Nelson	Asks about the possibility of an owner changing plans.
040	McNitt	Replies with the legal delineations.
048	Chair Kropf	Asks Mr. Schmidt how the 20-80 option changes for the owner.
053	Schmidt	Replies that he is not personally affected, because he can choose plans.
070	Norm Miller	Timber Tax Department Supervisor, Department of Revenue. Discusses the harvest tax and the 20-80 system as it relates to HB 2197. Submits his testimony ( <b>EXHIBIT C</b> ) and addresses the aim of decreasing the administrative costs of the program.
156	Rep. Nelson	Asks if there is a difference between Eastern and Western Oregon.
171	Miller	Points out the difference between the two regions and the methods for calculation.
184	Rep. Nelson	Asks if there are merits for the people who are hit by disaster.
200	Miller	States that such a concern is accounted for in this bill.
209	Rep. Nelson	Asks if there is a lien paid on the property.
213	Miller	Responds that there is no lien.
222	Chair Kropf	Asks if the shift from the privilege tax has made a difference in the flow of revenue.
227	Miller	Replies that it's too early to tell.
231	Rep. Nelson	Asks if there is much acreage available for small operations.
242	Wallace Rutledge	Director of Forestry Assistance, Department of Forestry. Responds to Rep. Nelson that there is approximately 780,000 acres of underproductive land.
253	Miller	Continues with the reasons for implementing the less than 5000 acre

		program. Cites the second page of <b>(EXHIBIT C)</b> in support of the Revenue Department's aim to educate the taxpayer.
328	Rep. Smith	Asks if the application process will be made uniform
333	Miller	Responds that it will be consistent state-wide.
335	Rep. Smith	Asks about the five-year payback.
338	Miller	Clarifies the five-year payback plan. Continues testimony based on <b>(EXHIBIT C)</b> .
<b>TAPE 12, B</b>		
003	Miller	Continues with the tax burden under the various plans. Refers to the severance tax rate.
046	Rep. Hunt	States that this legislation would save money because it simplifies the procedure and asks if that is the intention.
052	Miller	Responds that that is exactly the intention.
055	Chair Kropf	Asks if the cost-cutting is a result of the five special sessions, or whether it would have come about anyway.
061	Miller	Responds they needed to make cuts anyway.
071	Rutledge	Submits <b>(EXHIBIT D)</b> and begins testimony in support of HB 2197. Summarizes that this legislation does not add to the overall tax burden.
084	Nelson	Asks what the other major expenses are with regard to labor, permits, etc.
087	Rutledge	Defers to the upcoming speakers.
093	Rep. Wirth	Expresses a disapproval for Measure 50, and wonders if HB 2197 accomplishes the same end.
101	Miller	Replies that this legislation mirrors Measure 50, but relieves some of the burden on small land owners.
111	Rep. Wirth	States concern for a potential lack of revenue.
117	Miller	Responds that he'd like to defer to the revenue impact statement when it comes, but affirms that there could be a small revenue loss.
129	Chair Kropf	Adds that we don't have the impact statements, because the bill has not yet been referred.
141	Clint Bentz	CPA and former technical adviser to the Agricultural and Natural Resources Committee introduces himself.
158	Paul Nys	Tree farmer in Columbia county introduces himself.
166	Bentz	Provides insight on the 20-80 system in support of HB 2197. Attests to the harvest tax system and to the efficiency of a volume-based system. Addresses earlier questions of the burden on farms of greater than 5000 acres.
249	Rep. Nelson	Asks if there will be a grandfather provision.
256	Bentz	States the severity of this concern, and affirms that the new program will not address taxation issues from the past. Continues with testimony on how to calculate rate and the subsequent tax impact.
349	Chair Kropf	Wants to confirm that people still in the program will pay a little less.
352	Bentz	Confirms the Chair's statement.
363	Rep. Nelson	Asks how much impact we can expect.
366	Bentz	Reaffirms that there will be a slight reduction in revenue, but that it should be negligible.
390	Rep. Nelson	Asks about the certainty of the receipt of the incoming revenue.

406 Bentz Affirms that the amount of tax is very little and that there will be some fluctuation. Reiterates that there would be minimal impact either way.

**TAPE 13, B**

001 Nys Explains the options for small woodland owners through HB 2197 which fit both the harvest plan and the management plan. States concern with the conversion from small family plots to commercial industrial plots.

051 Neil Westfall Encourages support for HB 2197.

055 Chair Kropf Asks what HB 2197 will do for Mr. Westfall, personally.

057 Westfall Responds that it gives him the flexibility to choose amongst tax plans.

070 Greg Addington Associate Director of Governmental Affairs, Oregon Farm Bureau. Submits **(EXHIBIT E)** and reaffirms the prior testimony in support of HB 2179.

081 Chair Kropf Closes the public hearing on HB 2179 and opens a work session on HB 2179.

**HB 2197 – WORK SESSION**

097 Rep. Smith **MOTION: Moves HB 2197 to the floor with a DO PASS Recommendation and BE REFERRED to the**

**On Revenue by prior reference.**

100 **VOTE: 7-0**

103 Chair Kropf **Hearing no objection, declares the motion CARRIED.**

**HB 2260 – INFORMATIONAL MEETING**

105 Ray Kelly Explains HB 2260.

114 Lindsay Ball Oregon Fish and Wildlife (ODFW). Submits **(EXHIBIT F)** and testifies in support of HB 2260, as it would generate revenue needed to fund the departmental operations. Explains and justifies the modest fee increases.

310 Rep. Gilman Asks for clarification of the duties of a watershed manager.

317 Ball Responds that the position manages and coordinates watershed activities and wildlife within that watershed.

333 Chair Kropf Asks if any listed positions are currently vacant.

337 Ball Responds that he will have to consult with human resources. Responds that they will report back to the committee with the answer.

350 Ball Continues highlighting the proposed budget cuts.

396 Marla Rae ODFW Commissioner. Testifies in support of HB 2260. Refers to the town hall meetings eliciting public support.

**TAPE 14, A**

002 Commissioner Rae Concludes testimony by repeating the widespread popular support for HB 2260.

015 Chair Kropf Asks about the circumstances of vacancies in the department. Also asks for ODFW to produce the breakdown of support for the proposed legislation.

028 Ball Reaffirms that the vast majority supports this legislation.

037 Chair Kropf Asks for a numeric breakdown on those in support and those against this legislation.

043	Ball	States that he will definitely come up with those figures from the community meetings.
047	Rep. Smith	Requests a delineation of the makeup of the meetings.
052	Ray	States that they might not have such detailed information.
055	Ball	Divulges the name of the person who attended all of the meetings.
060	Rep. Nelson	Asks whether an out of state tax on clam diggers will be introduced.
074	Ball	Responds that they have brought legislation on that issue five times and that it's been rebuked by the legislature all five times, but adds that much support has ensued from town hall meetings regarding this issue.
114	Rep. Nelson	States concern for the fee increases inherent in this bill.
130	Ball	Addresses the budget breakdown process. States that cuts will still come to the surface.
146	Rep. Nelson	Cites the governor's objective of no pay increases for state employees. Asks whether that concern is considered by this bill.
158	Ball	Reaffirms the agency's commitment to zero-based budgeting.
160	Chair Kropf	Asks if assuming no pay increase, there would still be a budget shortfall.
170	Ball	Explains the cost of living increases.
177	Pam Ryan	Deputy Director, ODFW. Addresses Chair Kropf's budgetary concern.
183	Chair Kropf	Asks for clarification on the causes for the increases.
187	Ball	Gives the options for raising the proper revenue.
197	Rep. Gilman	Asks how many fish and wildlife officers ODFW has on staff.
200	Cynthia Kok	Captain, Fish and Wildlife Division for the Oregon State Police. Replies that they are budgeted for 118 FTE.
213	Rep. Gilman	Asks how many of the 26 new positions are still filled.
216	Kok	States that she is not familiar with Rep. Gilman's figures.
223	Rep. Gilman	Asks for the percentage breakdown of the officers' activities.
227	Kok	Answers that it depends on funding.
240	Rep. Hunt	Asks if the workload increases along with the state population.
246	Ball	Confirms that with more people and more work, more services are required.
273	Rep. Hunt	Asks if the proposed figures include the fee increases.
278	Ball	Responds that the table submitted doesn't address current proposals.
293	Chair Kropf	Closes the public hearing on HB 2260 and adjourns the meeting at 3:20.

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## EXHIBIT SUMMARY

- A – HB 2197, written testimony, Kristina McNitt, 2 pp.**
- B – HB 2197, written testimony, Dave Schmidt, 64 pp.**
- C – HB 2197, written testimony, Norm Miller, 7 pp.**
- D – HB 2197, written testimony, Wallace Rutledge, 3 pp.**
- E – HB 2197, written testimony, Greg Addington, 1 p.**

**F – HB 2260, written testimony, Lindsay Ball, 6 pp.**